ADVANCED MANAGEMENT

MARCH 1959
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Featuring . . .

(Complete contents on page 5)

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CHAPTER PERFORMANCE AWARDS REPORT

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There is no mistake so great as that of being always right.

—Samuel Butler

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1959 Calendar of NATIONAL & REGIONAL EVENTS

March 10—New York City
Work Sampling Training Clinic

March 15-20—Milwaukee
S.A.M-NTL Workshop on Leadership Skills

April 7—New York City
Simulation Workshop — A New Management Tool

April 23-24—New York City
Annual Spring Conference—Management Engineering

April 25—New York City
National Directors Meeting

June 20—Washington or Philadelphia
National Executive Committee

Over 50,000 people read

ADVANCED MANAGEMENT

PROGRESS THROUGH ENLIGHTENED MANAGEMENT

"Through research, discussion, publications, and other appropriate means, to conduct and promote scientific study of the principles governing organized effort in industrial and economic life . . . for the general betterment of society . . ."

S.A.M Constitution

Production Editor: Beatrice Jones

Editorial Advisory Board: The S.A.M Functional and other National Officers also serve in this capacity.

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"Cost Cutting" vs "Cost Improvement"

IN TIMES of recession such as the one through which we have recently passed, there is an understandable tendency on the part of management to call for cost cuts at any price. Some take the across-the-board percentage cut approach. Others start chipping off the overhead. Still others call an immediate halt to "services" or "non-productive" activities without regard to the fact that, for example, an advertising or research program, cut off in the middle, may mean a total loss of any money and effort already expended.

Aside from the tangible proof that these cost reductions often do not produce a corresponding increase in final profit, as measured by the income statement, there are the innumerable intangible, but highly important repercussions. An engineering layoff, for example, may put your company on the informal but closely knit engineering fraternity's blacklist and make recruiting difficult for years. Cuts in service personnel may cause permanent loss of customers. Inadequate quality control may lead to customer dissatisfaction which you never have the opportunity to rectify.

There can be no argument against the fact that some form of retrenchment will be necessary during a general business slump. The problem is not really how to cut costs but rather how to improve them. "Cost improvement" aims to produce improvements in profits.

Basic to cost improvement is a good cost accounting system. Just as in the solution of any problem you must have the facts fully and clearly before you, so you must in this problem know the dollars and cents aspects of all the components of your business. A knowledge of the inter-acting factors which contribute to final profit can only be gained after you have realistic accounting figures and a full grasp of what they have meant historically.

Equipped with these facts you can then begin to identify and assess the effect of cost changes on the Profit and Loss statement.

A part of this assessment is the determination of cost relationships. A service department may appear to have no productive function. Eliminating that department and its costs seems at first to bring about a great savings. As other departments seek to absorb the duties of the service department, there may be an over-all loss in productive efficiency which will lead to less production and, in consequence, less sales and profit than was realized at a higher operating cost. Any such cost reduction program that results in lower sales volume is seldom wise. As another example, additional expenditures for promotional activities may so boom sales that the costs involved in the promotion will pay for themselves and leave a residue of profit as well.

Because it is a long term kind of thing, cost improvement must be going on all the time. When recession hits it is too late to make a study of costs, costs relationships and profit components. Such studies must be kept on a current basis so that on very short notice a retrenchment program may be introduced which will bring immediate results without doing long term damage. "Overhead" and "non-productive activities" will not then be fair game for the cost cutter. They will only be curtailed when an actual increase in final profit will result. The manager will have full knowledge of the areas where real savings can be effected. Cost improvement can help not only the individual business, but the economy as a whole.

Dause L. Bibby
S.A.M National 1st Vice President
and
Executive Vice President of Daystrom, Inc.,
Murray Hill, N. J.

Objectivity In Bargaining With Unions

by Virgil B. Day
Manager, Union Relations
General Electric Company
New York

THE majority approach to collective bargaining—sometimes thought of as the orthodox viewpoint—can be summarily disposed of as follows:

"Question: Can management get union bargaining on a sensible business basis similar to that which exists when sales and supply contracts are negotiated?"

"Answer: No."

If I believed this was a sound analysis I would subside at this point in deference to the admonition of James Whitcomb Riley: "*Blessed are they who have nothing to say and the courage not to say it.*"

But I believe this point of view, with its implications of embracing bargaining approaches which amount to little more than a vaudevillian burlesque, is neither sound, nor orthodox, nor even destined to remain the majority view as experience and insight grow among management, union leaders, union members and the public.

There is, of course, room for disagreement as to the chances of growth of sufficient understanding and sophistication by all concerned to force basic change.

A very thoughtful observer, Mr. George W. Brooks of the AFL-CIO Pulp, Sulfite and Paper Mill Workers, made some projections of current trends in which he forecast that much of collective bargaining in 1977 will be marked by "*more pageantry and conducted by skilled and experienced men on both sides.*" On the other hand, Mr. Brooks noted that the increased use of experts in bargaining is only partly a consequence of the technical character of many of the steps in bargaining. It is also promoted, he stated, by "*the desire to substitute an orderly manageable procedure for the riskier process of higgling and haggling.*"

The collective bargaining procedure seems to mean many things to many men. There is no one series of steps, I am sure, appropriate for all circumstances, for no two situations are identical. To some people, from what I gather, the necessary preparation for bargaining involves such assorted steps as brushing up on the belligerent scowl, reinforcing the power to shout "No," toughening up the fists for table-pounding, and finally, of course, refining the ability to look at least slightly dignified in the wreckage of humiliating defeat.

Such preparations as these are not really worthy of our concern. It seems to me a higher priority challenge to avert humiliation than to prepare for it. These preparations may, in fact, be important preliminaries to certain kinds of bargaining, but I am convinced that they are of no value at all in preparing for any bargaining which is constructive.

Before taking up the kind of bargaining I do consider constructive, I would like first to go over what seems to me the purpose of it all.

What is collective bargaining for? Unless we have clearly in mind what we are trying to do, I suspect we will find it even harder than usual to agree on what is necessary to prepare for bargaining.

The objective of bargaining, as I see it, is to be sure we know what we are trying to do or help get done. Briefly, this is to see that the employees represented get no less and no more than is fairly coming to them for what they individually do.

Obviously, this must fit into the overall objective of business and of the public—which is to see that business operates in the balanced best interests of all the contributors to and claimants on our output of goods and services.

These contributor-claimants are customers, suppliers and dealers, owners, employees and public. No one of these will or can—or should be expected to—do his part unless assured of fair reward in the light of what is in the balanced best interests of all.

In preparation, and later at the bargaining table, one key objective is to clarify the proper role of management. Management needs to get across to em-

VIRGIL B. DAY has been Manager of Union Relations for General Electric since 1947. From 1939 to 1947 he was an Attorney with Wickes, Riddell, Bloomer, Jacobi & McGuire. (Four years of that time he gave to service in the Army.) Mr. Day received an A.B. from Northwestern University in 1936 and a J.D. (Order of the Coif) from Northwestern University Law School. He also attended Harvard Business School (1939) and returned there in 1951 for the Harvard Advanced Management Course. He is Chairman of the Committee on Violence in Labor Disputes (Chamber of Commerce), and Editor of the Illinois Law Review.

ployees, to their representatives, and to all others concerned that management is not in any toe-to-toe battle to get away with as much as it can in opposition to employee interests, or to do anything but try to make sure the employee gets what is right in the circumstances by all available and appropriate standards.

Management must prove by word, deed and attitude that it *is* just as much interested as the employee in seeing that the employee gets what is right—just as management is and must be equally interested in seeing that the rewards of the enterprise are fairly distributed to all others involved.

Management and those truly representing the employees at the bargaining table can thus not be on *opposite* sides. They are and must be on the *same* side in search of the common objective of what's right for the employees.

Actual preparation to carry out management's part of the bargaining presents two areas of opportunity and obligation. These are (1) in the financial or material area of wages, benefits, and physical working conditions, and (2) in the non-financial or emotional or spiritual areas of job satisfaction.

In the material area, it is essential to learn ahead of time as many of the facts as possible, indicating what is going to be the right thing to do when bargaining comes around. This is a steady, year-long search for the facts and trends across the whole field, which are pertinent to the problems of the particular business. This need for preparation in the material area is generally well understood and practiced.

But additional preparation is necessary as well in the non-financial area, where the preparation must be done by *all* management at *every* level, and has to be done continuously. Every effort must be made to demonstrate that management not only wants to learn how to do what's right in financial and material matters, but is equally eager and determined to do right in additional all-important areas of human association that make for final day-to-day satisfaction.

Perhaps the simplest way to sum up what's needed in preparation for bargaining is to say it is sound business management.

As part of this we must make sure that our intentions are good, our performance is improving, and our efforts are all being recognized.

In General Electric, for instance, we know that material rewards alone will not—should not—satisfy any employee. Our employee, and yours, wants—and we want him to have—a boss who is on his side, who puts human consideration first, who respects human dignity, who engages in forthright two-way, man-to-man communication on the things that count, to the employee's way of thinking.

The employee wants—and we want to give him—a boss who provides him a sense of importance and genuine participation, and who has a real interest in the employee both as a person and as an appreciated associate in the rewarding activity they are carrying on together.

The fellow we call "boss" must come to be recognized as a teacher and leader. The supervisor now has to depend almost entirely—as he should—on getting things done right by getting employees to *know* what is the right way and to *want* to do the job right.

The employee will invariably be responsive with his determination to do right himself. As a simple matter of economics and morals, he obviously has to do his part to make it a rewarding two-way street.

But such constructive human relations cannot, of course, be accomplished by back-slapping or baby kissing, or by any sheer force of personality. Sound relationships must be based on a deep and deserved impression that both parties intend to do right and are not just trying to "get away" with what appears to be right. The result must be based on efforts by both parties to *be* right by following the proper ideas and measures to find out what is right.

Fortunately, this is not something we ought to be doing merely as preparation for bargaining. We should do it anyway. In fact, if done with *only* bargaining in mind the effort is liable to fail and *deserves* to fail.

If it succeeds the mutually rewarding associations will be simply a by-product of the intentions of each in this area of human considerations.

Better and more economical production to meet a more demanding market will also be a by-product rather than a calculated end in itself.

And mutual confidence that later helps strip the bargaining table of the suspicions and other unwarranted emotions will also be a by-product rather than any calculated end in itself.

We at the bargaining table—management and union representatives alike—are largely the victims—or the beneficiaries—of what individual managers have been doing and saying all year, and the way employees and their representatives have come to judge the words and actions and even silent attitudes of management, individually and collectively.

Recalling the objective of achieving the balanced best interests of all concerned as the desired bargaining result, what are the ingredients that go into any formulation of management's proposals? Let me suggest three essential ingredients to preparation for bargaining: (1) *forward* planning, (2) *advance* action, and (3) *implementation* of long-range policy.

As to forward planning, I see no reason why "thinking through" our collective bargaining problems from the standpoint of long-range values, judgments and considerations should be any less possible or rewarding than it is in all the other areas of management where the techniques of the professional management approach have proved so valuable in helping fallible human beings solve the many complex problems that confront management today.

It is hardly debatable that the chances of success for any human relations policy are likely to be much greater if based upon long-range considerations rather than short-range, that bargaining should implement the long-range policy or be guided by long-range policy to the maximum possible extent, and that, in general, it is senseless to fly blind when man's intellect and research have developed such valuable aids to navigation as we have today.

But forward planning is simply an academic exercise unless it is accompanied by advance action. Specific management planning is becoming customary in connection with the immediate bargaining scene. Yet often it develops that, as we approach the day of actual bargaining, we realize we have earlier sadly neglected some important opportunities no longer available for advance action. It takes a very good professional, of course, to steer the best possible course based on judgment of all the factors that exist once the bargaining has begun. Unfortunately, in some cases those factors have, by bargaining time, become more difficult to handle objectively, whereas they were often "fluid" six months or a year before, with opportunity available to shape their course or magnitude more easily in the direction of what's right for all concerned. An ordinary example might be some claimed "inequity" pertaining to a par-

ticular company situation, which could turn into an unwarranted and serious problem at the bargaining table if no advance action is taken, or which could present very little problem if the issue has been examined in advance and voluntary corrective action has been devised and implemented.

Another example is the Shorter Work Week issue, which has implications for our economy far beyond the bargaining table. This issue—a hot political number with some unions—requires that management not only study and achieve understanding of the economics involved, but also help employees and the public to understand the hard facts of this problem for themselves.

What about the specific preparation itself? In general, I believe there are two important categories. The first is the whole area consisting in the collection of relevant bargaining data, primarily of a factual nature. I don't dwell on this because I am convinced that the need here is so well recognized and is increasingly well met.

There is, however, an equally important area—and one that is frequently overlooked by management representatives but not by union representatives. This is the area of the emotional considerations—analyzing the emotional hazards and corresponding opportunities faced by union and management in the light of public expectations or publicized demands at the bargaining table and the appeals to employees based upon possible conflicting company and union positions.

JUST as any good lawyer briefs as fairly and objectively as possible the opposing case he expects to meet in the court, I suggest that one of the most valuable and humbling practices management can engage in is to follow this course with expected union presentations. It is usually quite enlightening. It *can* be most helpful, if management really believes in the philosophy of doing right voluntarily, or otherwise wants to be sure that the facts on which it must base its case are right and will measure up to any objective testing when the chips are down. It's a lot easier and sounder to get and evaluate all the basic facts on which action should be based while still in the calm ahead of the rush and possible heat of actual negotiations. It's a lot easier to act *voluntarily* to correct mistakes ahead of actual negotiations.

Furthermore, advance demonstration lays the foundation for later effective communication. Sooner or later, in the course of negotiations, management must communicate—whether by simple communication across the bargaining table to an earnest or determined union committee or by additional communication of a broader sort to employees and the public. Unfortunately, it is often too late to act upon the costly realization that one must earlier have been doing convincing *demonstrating* in order later to do effective communicating. Some of us believe that communication is most effective when the mixture is about 90% demonstration and 10% communication. By demonstrating here I, of course,

1959-60 S.A.M National Officer Nominees

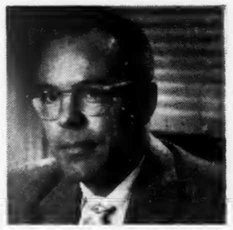
THE S.A.M 1959-60 Nominations Committee was elected at the National Board of Directors meeting on November 1, 1958. All Chapters were requested to submit their nominations for National Officers. Based upon recommendations made by the Chapters to the Committee, all names submitted were carefully considered. The Nominations Committee was gratified that a large number of nominations for the new year's National Officers were made by the Chapters.

The Committee met again in February 1959 and reported to the National Executive Committee on February 7th. They have unanimously nominated the officers listed below for the 1959-60 term. These officers will be voted upon at the April 25th National Board of Directors Meeting:

Chairman of the Board
PHIL CARROLL
N. New Jersey Chapter

Phil Carroll served in the Signal Corps during World War I, then entered Westinghouse as a student engineer, working in timestudy in three of that company's plants. He is a professional engineer and has served S.A.M in several National offices and is a member of the Northern New Jersey Chapter. Mr. Carroll is the author of several books on Time Study and Cost Control.

2nd Vice President
HUGO W. DRUEHL
Los Angeles Chapter



Mr. Druehl is President of Arrowhead and Puritas Waters, Inc., Los Angeles. From 1934 to 1942 he served with the Farm Credit Administration in Washington, and with the U. S. Army from 1942 to 1946, when he joined the Pacific Public Service Company in San Francisco. He was National S.A.M Secretary for two years.

President
DAUSE L. BIBBY
Binghamton Chaptor

Mr. Bibby is a member of the Binghamton Chapter who has been active in the Society since 1952. He is Executive Vice President of Daystrom Inc., of Elizabeth, New Jersey. He was formerly a Vice President of International Business Machines of New York. Mr. Bibby is one of the founders of the Binghamton Chapter, and has held several National offices.

Secretary
MAURICE R. BACHLOTTE
Southern Region

After receiving a B.S. in Mechanical Engineering from the University of Florida, Mr. Bachlotte joined E. I. du Pont de Nemours & Company in 1929. He has continued his career with that company since, and is presently Methods and Standards Supervisor of the Old Hickory, Tennessee du Pont plant. He is Vice President of the S.A.M Southern Region.

1st Vice President
JAMES E. NEWSOME
Chicago Chapter

Mr. Newsome is Past National Secretary, National Director, President and Executive Vice President of the S.A.M Chicago Chapter, and has been active in the Society since 1948. He is Production Manager of Johnson & Johnson, Chicago, and was formerly with Continental Can Company and the U. S. Steel Corporation.

Treasurer
ROBERT B. CURRY
Washington (D.C.) Chapter

Mr. Curry joined the Southern Railway Company as Comptroller in April 1955. From 1948 to 1955 he was Assistant Director of Johns Hopkins University's Applied Physics Laboratory. Prior to 1948 he organized the Budget Division of the Office of the Secretary of Defense. Mr. Curry is Past President of the S.A.M Washington, D. C., Chapter and its current National Director.

mean actual action by management, so that you can and will be judged by what you do as well as by what you say.

What are we looking for in our bargaining preparation? Actually, there are only two problems involved in bargaining, as I see it: (1) Finding out what's right from all available sources, and then (2) Being willing and able to get that right thing in place, no less and no more.

Keeping up with the market values for the bargaining ahead is admittedly difficult, as the problem frequently changes from year to year and may vary between industries, companies or localities. The objective must be to keep abreast of the applicable situation and pertinent trends, and to attempt to be as forward looking as possible. Let us note, for example, the varying trends between buyer's markets and seller's markets.

In a seller's market employers tend to go along with other employers' worst mistakes. The most prominent characteristic of a seller's market is lack of any very vigorous resistance to unsound economic demands—because in a seller's market it is "easy come, easy go" so long as everybody can easily pass it on.

But the public eventually eases up on its demand and begins resisting the seller's market prices. Inventory on their shelves at home has a lot to do with their reactions. New products aren't new and different enough or startling enough to compete with the savings account. Suddenly a company or a locality or an industry is confronted by that awful thing—a buyer's market—where there are more sellers than buyers and where the buyers rapidly become conscious of a free choice again among many eagerly competing offerings of products at new values. And the sellers become acutely conscious of a new necessity for lower costs in order to be able to offer the low prices and bring values required to move goods.

In a buyer's market we thus often see a wide variation between industrial regions and companies in the willingness to submit to cost increases and in the ability to pass on those cost increases, whether they be wage increases or be price increases in raw materials or components. And when the customer says "You will *not* pass these on to me," then we see the managements affected begin to act more like lions than mice.

Under such circumstances what happens in one industry—where it may still appear possible to pass it on—may not fit in other industries where the managements already know they *can't* pass it on.

Right now a buyer's market is upon us. The buyer is in charge, and his power will increasingly mean that what is or may be right in one industry is neither right nor necessarily even possible in another industry or company or area.

This fact is becoming increasingly obvious. Labor Secretary Mitchell said as much in a talk at the Massachusetts Institute of Technology. Looking to the future of industrial relations, he said:

"I think we can expect in the next year (1958) that some industries will not duplicate the extremely rapid rate of growth that has been characteristic of the past few years. We are already seeing evidence of this fact. There will be, in other words, a change in the rate of growth in some sections of the economy.

"The point here is that the collective bargaining sessions of the immediate future will not be played against a background of uniform growth, as has been the case in the past few years.

"This means that pattern-setting will not be as prevalent, and it also means that each collective bargaining session will take place in a different economic atmosphere, according to the present state of the particular industry. I would expect, then, that some collective bargaining will be a little stiffer than it has been, depending on the industry and the geographical area."

General bargaining experience since World War II appears to bear out Secretary Mitchell's predictions about the diminishing influence of pattern bargaining. Settlements in large and small companies in both concentrated and diffused industries tended to get more alike during the World War II and Korean control periods, and during the intervening seller's market where costs could be pretty generally passed on to customers.

But with return of the buyer's market after Korea, the so-called "patterns" which were theoretically being set by the large companies in an industry began to spread less promptly, and to a far less degree. This was especially true in industries characterized by wide dispersal in size and location of healthy competitors.

Today, in many industries there appears to be a stepping up of this trend away from so-called "patterns" set by a few leaders and toward genuine bargaining on the basis of the "going market prices" set by the particular businesses, locations and conditions.

In General Electric, for example, if we tried to be guided by what happened in other businesses at other locations under other conditions we would soon find ourselves in a major reconsideration of which of our lines, at what locations and under what conditions, could continue to be profitable and supply jobs for the short and long pull.

In the auto industry there are three giant companies side by side. A settlement by any one of these, based on considerations relevant to the problems, can seemingly determine the wage and benefits settlements not only for the others but also for the remainder of the industry. Thus, it has so far worked out that one employer, without even intending to, can and does determine for the whole industry what the market price increases for employee services will be and what the effects of these price increases will be on volume and employment for all. The same seems to be true of the six largest steel companies and the four largest rubber companies. Whether this will again be the case in the auto negotiations in 1958 remains to be seen.

In our case, of course, we are not in one industry but many; not in one business but well over fifty; not in one or two concentrated locations but in over a hundred; not in competition with just one to five large concerns of relatively our size but in formidable competition with more than 500 major competitors.

We have just the opposite of any assurance that settlements we make will spread across our competition. On the contrary, we can be practically sure they will spread hardly at all. Others set more nearly the real market prices for employee services among our competition. When our labor costs are higher we are, of course, only inviting competitors to take orders and jobs that otherwise would be in our plants.

In our industry five-year contract arrangements were followed by several other concerns. In many of our product lines the gap between the prices we pay for employee services and the prices paid by many other concerns is growing, with these other companies thus gaining advantages in businesses in which we are all competing for share owners and customers.

Mr. Mitchell, in his MIT talk, went on to say that *"the strongest influence on collective bargaining in the immediate future will be, I believe, increasing public insistence that labor and management conduct their affairs always with the public good in mind."*

Let me try to reinforce this point. No preparation for bargaining, nor any bargaining, in my opinion, that leads to results which are not in keeping with the public interest should be tolerated in our free enterprise economy. A considerable body of public opinion, as I am sure you know, believes that big business and big labor, through some of their wage bargains, have contributed heavily to inflation. I, personally, would not deny this. Such bargains—if in fact they have been inflationary—should not have been negotiated, even though it might well have been more troublesome to achieve a settlement that was not inflationary.

Preparation for bargaining must involve preparation for *more* than a peaceful settlement. It must also involve preparation for a settlement that is in the public interest. And no settlement that contributes to inflation can possibly be construed as in the public interest. Achieving temporary industrial peace through inflationary contract bargains is no more responsible, in my view, than achieving peace through the "sweetheart contract" route that Senator McClellan's committee has been publicizing in recent weeks.

Now, assuming we have taken appropriate steps with regard to forward planning and advance action, and we have done all appropriate market research that's possible ahead of time in contributing to a knowledge of what's right, what then? Should we put our cards on the table as to our best information when bargaining time comes, or should we continue the David Harum act which has been so fashionable at bargaining tables in past years.

A few union leaders want to be very sure that management conducts itself—by silence or by public protestations—so that any final settlement appears to be one to which we are not agreeable but to which we have been driven unwillingly by brute force. This is the settlement that makes blackguards of management, and depicts union officials as the sole protectors and guardians of the working man.

It is my suggestion that all this is out of keeping with the change from bargaining as a "class struggle" to bargaining as joint search for what is accurately and honestly in the fair and balanced best interests of all concerned.

To be sure, some may still associate bargaining with horse trading or with downright deceit, or with the Eastern-bazaar type of cunning—dishonest and rather pointless haggling.

But the objective of competent and honorable "collective bargaining" is for employees to get no less and no more than that which is fairly coming to them, in keeping with what is in the balanced best interests of all.

Thus, bargaining must have as its objective the most mature approach possible by management and union representatives; to arrive at the facts and then take action which will be in the balanced best interests of all. We don't want any more or any less than what's right for anybody. We should be seeking the facts and sound conclusions. We shouldn't care where the facts come from, or when. We should not be concerned with credit or face-saving. We should just want to do right.

Orthodox as this program may sound, it does amount to a departure from tradition in collective bargaining. It does *not* amount to horse trading—to bartering benefits with little or no regard to the applicable facts. It does not amount to an invitation to strike for a bigger offer, because we don't believe that force or the threat of force changes the facts on which our offer was originally based. So we don't respond to threats or use of force, even when this means we have to "take" a strike. And, finally, our program does not amount to the theatrics which have been so commonly accepted as the way to "cooperate."

However characteristic of American union-management relations the traditional type of bargaining may still be, I don't believe it is right. Issues of such vital consequence to employees as their wages, hours and working conditions should not be determined in a poker game in which bluffing plays a predominant role, and a calm, reasoned approach to facts is seemingly ignored. Successive retreats by management and union officials alike from "unalterable" positions are hardly conducive to employee confidence in the integrity of either group. If, in a particular set of circumstances, a 10-cent-an-hour raise is appropriate, I think the manager who proclaims in negotiations that no increase at all is justified is neither being honest nor accepting the responsibility to do voluntarily what's right for his company's employees.

Finally, I am suggesting that we adopt the general philosophy in our bargaining approach that was so well expressed by the late Peter Marshall, Chaplain of the United States Senate, in his famous invocation:

> *"Oh God, our Father, let us not be content to wait and see what will happen, but give us the determination to make the right things happen.*
>
> *"While time is running out, save us from patience which is akin to cowardice.*
>
> *"Give us the courage to be either hot or cold—to stand for something, lest we fall for anything."* ■

Roger Lea MacBride Named S.A.M Director of Civic Affairs

Roger Lea MacBride has become associated with the S.A.M as Director of Civic Affairs. He will be responsible for the development and promotion of "Better Government" seminars which will be offered to Chapters for co-sponsorship.

The objective of this program, which has been made possible through a grant from the Richardson Foundation, is to encourage business men to take an informed interest in local and state government.

Mr. MacBride is an attorney, formerly associated with the New York law firm of White & Case. He is a graduate of Princeton, where he majored in political science, and the Harvard Law School, and was a Fulbright Scholar. He is the author of two books on political and legal subjects.

Conservation Of Our Scientific Talent

by Joseph Dresner
Section Engineer
Weapon System Support Section
Radioplane Company

THE conservation of our nation's natural resources is considered a serious problem—saving our forests and making efficient use of our available water supply, for example.

There is also a problem concerning the conservation of another of our country's natural resources, which, if not solved, threatens to impede our scientific progress. This is the problem of the conservation of scientific talent. Scientific manpower is as much a natural resource as any other valuable property this country possesses.

The United States is supposedly faced with a serious shortage of scientific personnel and the outlook appears bleak for the future. Our present scientific talent must be economically and efficiently used and, at the same time, replacements and additions to our present pool of talent must constantly be developed.

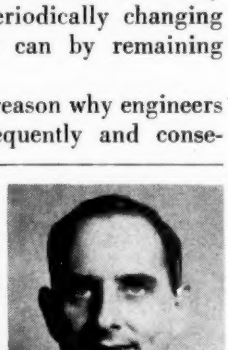
As with any conservation program, a dynamic approach is needed. There is one approach which may appear obvious, but which in many instances is not currently being pursued—to utilize scientific personnel to the full extent of capabilities; give highly trained people the opportunity to technically express themselves to the best of their ability. This solution would serve several purposes. It would reduce the current engineering shortage because a higher level output, both quantitatively and qualitatively, would result per man. It would also reduce the number of engineers becoming dissatisfied and leaving their chosen profession. Finally, it would tend to attract more high school graduates into a scientific career. A professional man requires professional treatment. If industry gives the individual scientist a favorable working environment, fuller utilization of his scientific talent will result.

There are many reasons why the present situation has developed. Because of the shortage of engineers a tremendous competition had developed for their services. Companies are frantically trying to outbid their competitors by offering higher wages, longer vacations and increased fringe benefits. However, once an engineer accepts a position with a given company very little is done to convince him he should remain. It is an established fact that the average engineer can advance faster, both in salary and position, by periodically changing companies than he can by remaining with one company.

There is another reason why engineers change jobs so frequently and consequently reduce their overall effectiveness. The job stability offered engineers by the average company is practically non-existent. As companies complete a contract, are awarded a new contract, or have a current contract cancelled, it is reorganized and/or the engineers are reshuffled. In a small company the completion or loss of a contract often means engineers who were working on that project are let out. In a large company, where other contracts exist than can absorb the surplus engineers, they are transferred to another project. In either case, whether between companies or within a company the individual engineer is often shunted about to plug a temporary gap which exists.

Each time a company hires a new employee he must be indoctrinated. Even if this isn't a formal procedure, the engineer must have time to become familiar with the details of his new job. In addition, often a newly-hired engineer must obtain security clearance, and until this is done he cannot work with classified information. This indoctrination and obtaining clearance takes time and therefore costs a company money. It also means the new employee cannot contribute during the first period of his employment to the project for which he was hired. The costs involved in initially securing the engineer's services and indoctrinating him probably outweigh the costs involved in attempting to make the engineers' surroundings and facilities conducive to remaining with the company. In other words, on the average it is cheaper and more efficient to attempt to retain present employees than to recruit and train new hires.

JOSEPH DRESNER left the position of Research Engineer, Tactical Engineering Group at Hughes Aircraft Company in January 1956 to join the Radioplane Company. From 1952 to 1954, when he joined the Hughes Company, he was Systems Engineer, Instrument Division at the Allen B. DuMont Laboratories. From 1950-52 he was Systems Engineer, Systems Engineering Section at Glenn L. Martin Company. From 1943-46 Mr. Dresner served with the U. S. Navy as Aviation Electronics Technician. He has authored and co-authored articles for *Aviation Age, Missiles and Rockets* and other publications in the field.



Of course, salary is important to an engineer but so are good laboratories, libraries and working conditions and a feeling that he is part of a progressive and capable team. For example, take the guided missile industry. Ten years ago there was just a handful of people in the United States concerned with missiles. Today the guided missile industry is booming and new plants are springing up everywhere. As a result, physical facilities often are entirely insufficient. Many companies are bursting at the seams, spilling-over into inadequate, poorly conceived and hastily constructed buildings. Also, time has not been adequate for the company's policies and procedures to have been formulated and proven. These factors tend to make conditions in the industry rather unsettled and at times chaotic.

A FURTHER COMPLICATION is our urgent need for advanced weapons with tremendous capabilities. What is new today is obsolete tomorrow. Therefore, it is not a case of producing these weapons but also of conceiving and then developing them. Scientific research is a difficult thing to schedule. Trying to build a piece of equipment which a very short time ago, would have been difficult to even visualize is not the same as building a piece of known equipment of proven design. Over and above this difficulty is the fact the allowable time schedule has been drastically compressed by urgent need for the new weapons.

In an attempt to overcome this problem money is often used as a substitute for time and experience. When a new product is needed by the military several companies are given large sums of money in the hope that at least one will come up with the answer. These companies in turn secure the services of many engineers in the hope that there is safety in numbers; they seem to feel that if there are enough people working on a project there is bound to be positive results. The underlying theory is similar to the theory of vector motion—the individual movements are in different directions but the resultant movement is in a given direction. It is hoped this direction is forward.

To some extent an analogy can be drawn between the present situation facing those who design and manufacture complex weapon systems and the situation which confronted the newly-born automobile industry at the turn of the century. The automobile in those days was an engineering marvel. People who saw it perform were astonished; often they could hardly believe their eyes. No one connected with the industry had any experience which was directly applicable. How could they? They were working on a new product, one which had not previously existed. The companies which sprung up had little to guide them. Almost everything they did was being done for the first time. If a thing didn't work they tried something else. Gradually they built up experience and the automobile moved from the curiosity class to a present day necessity.

In spite of this apparent analogy, there are two rather important differences between the newly-born automobile industry of yesteryear and the recently developed weapon system industry of today. One is that the automobile industry was allowed to find its own way in time; that is, its rate of development was not artificially stimulated. The only pressure behind it was the pressure of the buying public. On the other hand, the present-day weapons industry has the pressure of necessity of survival compressing the available time into a fraction of what ordinarily would be required. The second major difference is that the automobile industry is a competitive industry while the one under discussion is not, in the true meaning of the word. The companies engaged in designing and manufacturing weapons have a predetermined margin of profit after they obtain a contract and often they are kept in business by the military in order to retain their capabilities for future work which may be required. There is practically no incentive for them to streamline their operations and make them more efficient.

What is required by everyone concerned—from the military, which awards and monitors the contracts to the company management, which conducts the studies and develops the products—is the realization that it is not only the quantity and quality of engineers that counts but also how they are utilized. The efficiency of utilizing an individual's talents to a large extent determines the success of a project. A company can have a sufficient number of capable people and, through mis-management, provision of inadequate facilities and, in general, the creation of an un-scientific, un-productive atmosphere benefit very little from the fact that these people are drawing salaries every week. The average engineer is creative and wishes to work and technically express himself. Through proper utilization of his services, the so-called "engineering shortage" can, to a large extent, be eliminated.

In spite of the handicaps, American industry has done a remarkable job. They are turning out advanced equipments which, even with our present technical knowledge, startle the imagination. True, mistakes are being made but the challange is being met. An arsenal of destruction is being forged which it is hoped will deter any aggressor. It is hoped that eventually this job can be accomplished with more efficiency and with less waste of our technically trained manpower and economic resources. Conservation is urgently needed. ■

A Tribute To Professor Ralph C. Davis

WHEREAS, Ralph C. Davis, through his work as professor of business organization, contributed significantly to the development of management men as evidenced by the large group of business executives and college professors who today are beneficiaries of his sound instruction in the fundamentals of good management;

Whereas, Ralph C. Davis, through his keen mind and his flair for effective expression, contributed to the development of the profession by his many addresses, articles, and widely-known books in the several areas of management;

Whereas, Ralph C. Davis, as a member of the S.A.M Board of Directors and Vice President, Research Division, effectively utilized his talent in furthering the research program of the Society and the resulting advancement of management;

The Executive Committee, therefore, on the occasion of his retirement and on motion adopted unanimously and enthusiastically, hereby expresses its commendation and appreciation for the many contributions and services of Ralph C. Davis, indicative of his interest in and devotion to the progress of scientific management and to the growth of the Society for Advancement of Management and, furthermore, requests that a notice of this action be conveyed to the membership through "Advanced Management".

Productivity: A Managerial Yardstick

by Reuben E. Slesinger

Professor of Economics
University of Pittsburgh
and
Member of Gorski, Humphrey
and Associates
Pittsburgh, Pa.

OUR national economy may be considered a giant mechanism for satisfying our wants. Into this mechanism go factors of production such as land, capital, labor, and managerial ability; and out of it come the goods and services we desire. The welfare of all depends on the performance of this machinery. The money we receive is only a means to an end; we are concerned really with what we get in goods and services, quantitatively and qualitatively. Obviously, we cannot have more than is being produced; hence, we can only increase our level of living by increasing our production.

If we should produce twice as much goods by using twice as much human effort, this might be progress of a sort; there would be more goods available. However, in an efficiency rating, there would be little progress indeed as we would be increasing a proportionate amount in both input and output. This ratio of output to input is the concept economists identify by the term "productivity," and is used as a measure of economic progress—perhaps the most important single indicator of our national well-being.

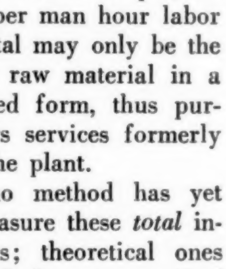
In discussions of productivity it is important to include all elements of input; unless we do, we may mistake substitutions of one type of input for another as progress. For example, an increase in output per man hour labor or per unit of capital may only be the result of obtaining raw material in a more highly finished form, thus purchasing from others services formerly performed within the plant.

Unfortunately, no method has yet been devised to measure these *total* inputs of all factors; theoretical ones have been suggested, but no practical method has been developed yet. Since the general problem has not been solved, most discussions are limited to labor-productivity: the amount of goods and services produced per man hour of labor. We must remember, however, that this is only one facet, and apparent efficiencies may not be real due to the other factors involved. For example, we waste a natural resource, land, in our present man-hour savings method of stripping coal. We save labor by cutting an entire wooded section instead of cutting out only the older trees, again wasting natural resources.

In any discussion of labor productivity we must remember the other factors that are concerned; that labor productivity is not a measure only of the workers' performance—It is a measure of the performance of the entire economy in utilizing the efforts of workers. An improvement in labor productivity may be the result of an employer's learning to apply labor with greater effectiveness. Also, there should be a distinction between two types of productivity, "technical" and "economic."

Technical productivity is concerned with processes—learning to do some particular job with fewer man hours. *Economic productivity* means efficiency in the use of the nation's manpower in jobs where it is most effective. Thus a movement from farms to factories increases a nation's economic productivity as an hour's work in the factory produces more market value than an hour's work on the farm. Technical productivity is influenced by technological developments, while economic productivity is the result of socio-economic changes. The consequences are different also; improved economic productivity usually pays off immediately to the individual as the more highly productive jobs usually pay better, whereas improvement in technical productivity may or may not affect wages. When interpreting

PROFESSOR SLESINGER has a BS (1936), a MA (1938) and a PhD (1940) from the University of Pittsburgh. He also did graduate work at Harvard, Wisconsin and New York Universities. He taught at Carnegie Institute of Technology and Duquesne University before going to the University of Pittsburgh. Professor Slesinger has authored textbooks and numerous articles on economics and lectured and written on many business economics subjects. He holds two Foundation for Economic Education Fellowships, and a Fellowship at the Graduate School of Arts and Science at Harvard.



statistics we must consider these two types of productivity; some reflect both types of changes while others are confined to technical productivity alone. This does not mean there is any relative difference in their gains; neither is more nor less "real" than the other. Finally, in considerations to be made, we must not forget that these productivity studies do not reflect *all* progress. There are non-material values also—changes in the "way of life" from farm to factory, the importance of "full employment" as separate from improved utilization of those employed, the shift from manual physical effort to that requiring close attention but little brute force.

SIGNIFICANT gains in technical productivity depend upon finding and using better ways of accomplishing our ends. The "better" way is understood to be one with less labor. It may be a new device, a new tool, a new machine, a better method of handling with existing equipment the development of "line" method of production, the use of auxiliary handling equipment, a change from metals to plastics, or many others. These labor-saving innovations must originate in the minds of persons or groups; engineer, scientist, or workman, alert, imaginative, informed, and imbued with the idea that the current way of doing things is not necessarily the best way. They are usually the result of many small changes rather than an occasional spectacular revolution in methods.

Competition forces management to adopt the latest and most efficient methods, and to improve upon them if possible, as competition may eliminate any entrepreneur who lags behind for long. In many processes, large-scale production is more efficient than small-scale, but this requires a dependable market. Also, productivity is influenced by management's ability to get along with its employees. Employment practices and policies which promote a spirit of cooperation cannot fail to increase the yield in goods and services per man hour of work. The characteristics of the labor force will have a considerable effect on productivity; skill, training, and experience are very important in output per man hour, as are health and morale. The employees also must be adaptable to change, willing to accept new methods. This willingness also contributes to increased economic productivity as formerly defined, since otherwise workers would not leave farms for factories, leave "home" for "Oak Ridge," thus increasing economic productivity.

This description of the forces which affect the productivity of our economic mechanism could be extended almost indefinitely. Here we may draw some general conclusions:

First—*Productivity depends on a large number of factors exerting interacting influences; any emphasis on a particular one gives a false picture.*

Second—*Productivity gains are a social phenomenon; they may arise in some industry, or in some social changes, so remote from the industry under study that they are not recognized.*

Third—*Productivity increases are gradual, over long periods, rather than abrupt.*

Fourth—*Productivity gains are not inevitable and predestined; many interests must cooperate; many conditions must be fulfilled.*

THE PRODUCTIVITY RECORD IN THE U. S.

Many studies have been made of our productivity record: by the National Bureau of Economic Research, by the United States Department of Commerce, and by the United States Bureau of Labor Statistics, to name but a few. Some cover certain periods and certain industries, while that of the Bureau of Labor Statistics is a continuing one for a number of industries. A comparison of these studies might be in order, at least from 1900 to 1950.

The National Bureau of Economic Research study shows an annual gain for the 1899 to 1939 of 3 per cent for manufacturing. For the economy as a whole (these measurements in all studies are based on very sketchy information), this study shows between 1.7 per cent and 2.2 per cent annual increase. This is somewhat lower than the 3 per cent for manufacturing, and might be much lower if "economic" productivity could be removed. The conclusion drawn thus is that the annual growth in technical productivity was somewhat lower than a 2 per cent rate in the forty years prior to 1939.

The Department of Commerce found that from 1909 to 1950, covering the economy as a whole, about a 2 per cent annual growth, also exaggerating that portion due to technical productivity.

The Bureau of Labor Statistics work consists of index numbers on "unit labor requirements" in both manufacturing and non-manufacturing, but it is not combined either for all manufacturing or the industry as a whole. Thus, for those industries covered by the B.L.S. report, this index may provide a reference point for comparison of individual plant performance with industry averages, providing management with a yardstick for improvement.

FUTURE GROWTH OF PRODUCTIVITY

Many predict that special features of the present-day economy will lead to an increased rate of productivity growth above the approximately 2 per cent figure of the first fifty years of this century. They base this assumption on: 1) increased scientific research presently being conducted by both business and government; 2) increased capital investment by industry in plant and machinery; 3) full employment and high levels of production encouraging greater productivity growth.

This may or may not be true; the "law of diminishing returns" may apply to research as well as to other economic factors. Present high rates of capital investment may be largely replacement, not new facilities. As our capital plant grows, the amount necessary to cover current replacements grows also, and we may have to invest faster and faster to stay in the same place. Full employment may have a reverse effect on productivity in that, when plants and workers are unemployed they are generally

the least productive, least efficient plants and the marginal employees; the ratio of productivity may drop with full employment.

While productivity growth is a problem of each industry and each plant, it is also a problem of the economy as a whole. The British economy, strongest in the world until the turn of the century, declined; today its productivity is one of the lowering factors in its general economic status. The *London Economist* made this statement on British productivity:

> *"The human donkey requires either a carrot in front or a stick behind to goad it into activity. The whole drift of British society for two generations has been to whittle both . . . until very little of either is left. . . . Nobody gains anything from activity or suffers anything from inactivity. There is hardly the flavor of the carrot or the shadow of a stick. And yet we wonder why the donkey does not break into a trot."*

Thus, while each industry is striving to improve its position, its productivity, its market, it is necessary that the government and the people attempt to preserve an economic atmosphere that will encourage higher endeavor.

PRODUCTIVITY AND REAL WAGES

Some leaders of labor and industry have considered basing wages on productivity generally or productivity within an industry. This seems impractical due to the wide fluctuations in the short run, the inadequacy of computations of current money value in terms of purchasing power, and the inequality of adjusting one factor's return on a productivity index when fluctuations of the index may not be due to the factor so being adjusted. It would place labor outside the functioning of the supply and demand system. It would remove the consumer from sharing, in the form of lowered prices, in the economic improvements made through productivity increases. It might discourage capital invesment necessary for further productivity increases. Wage adjustments based on the cost-of-living index may not produce a parity in real wages as the level of living further departs from the standards used in this computation. All of these arguments refer to "technological" productivity increases. Increases arising out of "economic" productivity, as we have shown earlier, generally are individually rewarding at the time of their consummation. ■

Need for Professional Managers

by Norman R. F. Maier

Department of Psychology
University of Michigan

BIGNESS IN BUSINESS has created two basic problems while successfully cutting costs through mass production, efficient buying and national advertising. Unless these new problems are solved the advantages of bigness may gradually be off-set by its disadvantages. The two problems that increase in magnitude with the bigness of an organization are: (1) difficulties in upward communication, and (2) the importance of wisdom in decision making.

In a large business the executives are separated from the rank and file workers by a chain of management personnel consisting of five or more links, each of which could serve as an obstacle to communicating upward the feelings, attitudes and ideas of those below. In a small business the communication barriers might be confined to the owner's limitations in perceptiveness. Even when the owner is separated by a link or two in the chain of command, a few rank-and-file workers usually feel free to by-pass their immediate superior and go to the top if an open-door policy has been established.

What is the communication problem in big business today? Our research on middle management communication indicates a wide discrepancy even in the ways a superior and his immediate subordinate view the subordinate's duties and problems. In general the subordinate does not tell his boss about his problems or the problems he knows about down the line, and the superior is almost completely unaware of this failure in communication. The fact that the superior once held the position of his subordinate does not remedy the matter; often it aggravates the condition since a superior tends to be a poorer listener than usual when he feels he knows what the job entails. The striking finding, therefore, is that communication channels in middle management are far from adequate.

Let us now consider the essential wisdom (i.e., knowledge combined with intelligence) required in a complex industry. In most large organizations this requirement is so diversified and extensive that it exceeds what a single mind can encompass; yet varied knowledges must be centralized at decision making points. The common practice is to make use of associates, assistants, or consultants. This means that problem solving must take place in groups, and this may be either efficient or wasteful, depending upon the ability of the conference leader. If he dominates, he tends to produce "yes-men" and so loses the benefit of the participants' thinking; yet this very trait is the essence of executive leadership in the small business.

How can these two basic and somewhat related problems be met? The answer will not be found in a package that can be purchased because the solution lies in developing management skills. These skills have to do with delegation and conference leadership, both of which have emotional loadings.

There are stages or degrees of delegation; including the delegation of duties only, the delegation of the right to recommend decisions, and the delegation of final decision-making in a prescribed area. Giving up the right to veto decisions is one of the greatest emotional obstacles to full delegation.

In a given superior-subordinate relationship a certain stage of delegation may be practiced with respect to some aspects of the job while other stages might be practiced with respect to the remainder. In each case the degree of delegation should be as great as possible so as to give the subordinate as much freedom as his ability warrants. The degree of delegation given to a subordinate should be clearly communicated to him, and this requires periodic interviews in which the superior and subordinate discuss job problems as equals. When the superior serves as a critic he motivates his subordinate to please him rather than to think about the job problems. The problem-solving type of interview requires a variety of skills and there is no simple rule of thumb to follow.

The conference leading skills of the new type of manager also deviate sharply from those of the inspirational leader. Instead of dominating the discussion and initiating ideas, his skills must be confined to (1) stating the problem; (2) encouraging participants to discuss obstacles and feelings they consider relevant; (3) drawing ideas from the participants; (4) causing differences in views to be respected so that minority viewpoints can have an influence; (5) facilitating communication between group members by summarizing feelings, ideas, differences in viewpoints, etc.; (6) remaining neutral but interested in all views expressed; (7) seeing that progress is kept at a pace that keeps both boredom and pressure at a minimum; and (8) stimulating the group to arrive at a decision point through a meeting of minds. Each of these objectives requires (1) the utilization of basic principles; (2) the exercise of skills; (3) a sensitivity for feelings; and (4) a perceptiveness of fine distinctions in ideas.

Once there is an appreciation that managers, like scientists, doctors, and engineers, must be trained as well as selected, the task of meeting the obstacles of bigness will be under way. ■

Morale of Supervisors

by Eugene J. Benge

Hu-management Engineer
Asheville, N. C.

Some managements mistakenly believe that supervisors must have high morale just because they are supervisors. Our surveys suggest otherwise. Although supervisory morale *averages* higher than that of rank and file employees, nevertheless the research reported in this article reveals ten deficiency areas which need management attention.

The research resulted from attitude surveys in scores of well known companies of which eleven were selected for a special study of supervisory morale.

Questionnaire Method Used

Our typical attitude questionnaire contains twenty-four questions on the following subjects:

Attitudes toward JOB

1. *How do you like it?*
2. *How is the lighting?*
3. *How is the ventilation?*
4. *Does it use your main abilities?*
5. *What is the outlook for advancement?*
6. *Are there accident hazards?*
7. *Are earnings fair for the work done?*
8. *Are fellow employees friendly?*

Attitudes toward IMMEDIATE BOSS

9. *Is he impartial?*
10. *How well does he handle complaints?*
11. *How well does he handle suggestions?*
12. *How well does he discipline employees?*
13. *How well does he break in new employees?*
14. *How well does he plan work?*
15. *How well does he explain new things?*
16. *Is he qualified?*

Attitude toward COMPANY

17. *Is it well regarded in the community?*
18. *Is it well regarded in your industry?*
19. *How does it compare with other employers?*
20. *Are you proud to tell what company you work for?*
21. *Are time allowances fair?*
22. *Are base rates fairly related to one another?*
23. *Are company finances sound?*
24. *How competent is management?*

Each question is normally presented with five possible answers, running from low to high attitude. For example:

No. 10—How well does your IMMEDIATE BOSS handle a complaint?

- ( ) A *He does nothing about it*
- ( ) B *He usually tries to talk me out of it*
- ( ) C *He passes it on to his boss, but generally nothing happens*
- ( ) D *He listens carefully and acts on those which seem just*
- ( ) E *All complaints are accepted in good spirit, investigated and a clear decision is given*

The employee (or supervisor) marks with an "x" one of the five possible answers which comes closest to his attitude.

Answers are scored, taking into account the number checking each possible response. We then get a weighted figure for each question which figure we call a "morale index." The average index for American industry is 73. *Figure 1* presents some typical findings of eleven plants selected at random.

We see, then, that supervisory morale is almost always better than employee morale, when the same set of questions is used, although it was not true of the three shoe plants. In other words supervisors *as employees* of the company reveal higher morale indices than rank and file employees. *Figure 2* shows that the higher supervisory morale level is pretty consistent over all 24 questions. This table is based on many more companies, reveals slightly lower figures.

EUGENE J. BENGE has been author, lecturer, moderator and management consultant in addition to his years of experience in industry. From 1920 to 1926 he was Industrial Relations Manager for Atlantic Refining Company, Philadelphia. He held the same title at the American Oil Company, in Baltimore, from 1930-35, after which he was Training Director for Firestone Tire and Rubber Company. He has been President of Benge Associates since 1939, specializing in human relations techniques. Mr. Benge is the author of "How To Make A Morale Survey."

Relatively, the figures seem like a good showing for supervisors as a group. Actually it means only that they have higher morale than employees, leaves unexplored a lot of tender spots as to their jobs as supervisors and their relations to executives above them. Even so a study of Figure 2 suggests:

Item 2—We may be supplying better lighting to employees at their work places than to supervisors.

Item 14 — Supervisors don't think any better of the planning done by their superiors than employees think of the planning provided by the supervisors.

Item 23—Although both employees and supervisors have considerable faith in the financial soundness of their companies, supervisors fail to show a superior attitude in this question.

FIGURE I

SUMMARY OF MORALE INDICES—EMPLOYEES AND SUPERVISORS
VARIOUS COMPANIES

Kind of Business	Number Answering	MORALE INDEX: Employees No.	Employees Index	Supervisors No.	Supervisors Index
Paper Mill	1444	1356	80	88	86
Machinery	653	575	68	78	77
Meat Packing	1080	1039	76	41	83
Furnace	578	557	69	21	79
Furnace	330	317	71	13	81
Textile	369	281	79	21	88
Textile	469	436	80	33	83
Shoe	189	179	75	10	58
Shoe	271	260	75	11	70
Shoe	380	371	78	9	71
Food	1013	954	69	59	73
TOTAL	6709	6325		384	
Weighted Average			75		80

FIGURE 2

SUMMARY OF MORALE INDICES—EMPLOYEES AND SUPERVISORS
ACCORDING TO 24 QUESTIONS

Attitudes	MORALE Employees	INDEX Supervisors
TOWARD JOB		
1. Like job	81	90
2. Lighting	80	77
3. Ventilation	68	72
4. Use of abilities	73	78
5. Opportunities	61	70
6. Accident Hazards	73	78
7. Earnings	52	57
8. Fellow employees	82	85
	71	76
TOWARD IMMEDIATE BOSS		
9. Impartiality	82	87
10. Complaints	74	84
11. Suggestions	69	78
12. Discipline	72	80
13. New Employees	72	76
14. Plan Work	68	68
15. Explain new things	76	80
16. Qualifications	76	79
	73	79
TOWARD COMPANY		
17. Reputation—community	78	83
18. Reputation—industry	91	92
19. Comparison as employer	69	74
20. Pride in company	79	86
21. Time allowances	68	....
22. Base rates	60	....
23. Company finances	89	88
24. Management competence	70	86
	76	85
TOTAL	73	79

Questions for Supervisors

To delve deeper, we have developed special questionnaires for supervisors. These contain some of the same questions used on the overall form, but in addition include such items as:

Attitudes toward SUBORDINATES

1. *Their ability level*
2. *Their cooperativeness*
3. *Their loyalty*
4. *Their morale*
5. *Their promotability*

Attitudes toward MANAGEMENT

6. *Interdepartmental cooperation*
7. *Training media*
8. *Training subjects*
9. *Authority delegated*
10. *Responsibility delegated*
11. *Number of persons receiving orders from*
12. *Receiving advance information on plans and policies*
13. *Promotions within supervisory ranks*

In reactions toward SUBORDINATES we find several appreciably lower attitudes among supervisors. The figures from five companies (579 supervisors) are—

REACTIONS OF SUPERVISORS

Attitude	Index
1. Ability level of subordinates	72 (low attitude)
2. Cooperativeness of subordinates	83
3. Loyalty of subordinates	89
4. Morale of subordinates	76
5. Promotability of subordinates	72 (low attitude)
Total	77

In numerous "searches for talent" we have made, using aptitude tests we have concluded that there is more promotable potential among rank and file employees than is generally thought to exist. Supervisory reactions on this subject suggest that supervisors need help in identifying such potential, in analyzing the abilities of employees so identified and in developing weaknesses or utilizing strengths uncovered by the analysis.

In supervisory attitudes toward management we find a mixed picture indeed. Three items lend themselves to the computation of a morale index:

Attitude	Index
6. Interdepartmental cooperation	75 (dubious attitude)
7. Training (supervisory conferences)	81
13. Promotions from within	84

Training Subjects

As to training of supervisors we have some additional figures, these expressed as percentages. Here are their first choice preferences for various possible training subjects:

Rank	Subect	No.	%
1	Human Relations	153	35
2	Supervisory Practices	106	24
3	Departmental Operations	78	17
4	Business Management	41	9
5	Planning	39	9
6	Economics	28	6
		445	100

We have yet to make a study of supervisors which did not reveal strong desire for training in handling people.

Management Informing Supervisors

What methods are preferred by supervisors for management to give information about policies and operations? In this listing, supervisors could vote for more than one subject. Here are the figures:

Rank	Medium of Communication	No.	%
1	Supervisors' conferences	321	19
2	Superintendents talking to supervisors individually	276	16
3	Supervisors' Dinner Meetings	267	16
4	Departmental meetings of supervisors	240	14
5	Letters from President	225	13
6	Annual Report of Company	211	12
7	Employee paper	171	10
		1711	100

It would seem that any and all methods of communication from management to supervisors are almost equally appreciated. Face to face meetings, however (1 to 4 above) are preferred to written communications.

Advance Information

Do supervisors believe they get sufficient advance information as to major company policies, plans or work changes affecting them? Here's what they *say* they receive:

Advance Information Received	No.	%
None	12	2
Insufficient	45	10
Some	195	41
Sufficient	222	47
	474	100

Over half do not believe they get "sufficient" information.

One Bowl—Drop Two

*T*WO WORDS, *the waitress orders a bowl of vegetable soup with crackers. Two words, and the counterman orders dropped eggs on toast.*

Much has been said the past few years about the need for more, or better, communications. When this means the transfer of facts or ideas in a direct, understandable way, fine. But often the sense washes away in a flood of words.

Is it wrong to be concise, or even silent? Sometimes. But silence may be better than words that say nothing.

Too much communication? Have you tried brevity?

Lawrence W. Kelbley
Management Consultant
Winchester, Massachusetts

Authority & Responsibility

Finally, we come to the very heart of a supervisor's job: 1) Does he understand his responsibilities? 2) Does he have enough authority? 3) Does he report to but one superior?

When asked whether they understood clearly their job responsibilities, supervisors voted:

Understand Job Responsibilities?	No.	%
No	4	1
Not sure	39	8
Yes	439	91
	482	100

This is a good showing. However, when they were asked the related question whether they had sufficient authority to carry out their responsibilities, they gave a markedly lower response:

Have Sufficient Authority?	No.	%
No	76	16
Not sure	84	17
Yes	323	67
	483	100

Companies included in these surveys would rank in American industry as well-managed concerns. Hence we feel sure that more comprehensive surveys would reveal much lower affirmative replies. Whether our figures represent failure to delegate authority or unwillingness to assume it is beside the point. The real point is that 33% of supervisors feel they lack sufficient authority to perform their jobs.

"No man can serve two masters," say the classics on management and organization. But it certainly looks as though American supervisors either belie the maxim or are being given a rough time by peers, staff men and supervisors. When asked, "From how many people do you receive orders?" they replied:

Receive Orders From:	No.	%
Five or more persons	99	14
Four	84	12
Three	161	23
Two	195	27
One	160	23
No one	10	1
	709	100

Can it be true that three-quarters of our supervisors receive orders from more than one person? The supervisors think so.

Areas Needing Management Attention

To summarize: on the average, supervisors have higher morale than employees. However, they reveal ten areas of morale deficiency: 1) They fail to hold superiority in their attitudes toward lighting; 2) They don't think much of the planning by their superiors; 3) They have no more confidence in company financial security than rank and file employees; 4) They are dubious about abilities of subordinates; 5) They think there is something lacking in interdepartmental cooperation; 6) They crave assistance in learning to handle people; 7) They prefer getting management information on policies and information through face to face contacts; 8) They doubt that they receive sufficient advance information; 9) They understand their responsibilities but question whether they have commensurate authority, and 10) They accept orders from too many people.

Maybe supervisors in *your* company don't have all ten of these morale deficiencies—but the chances are high that they have some of them! ■

Planning Ahead For Profits

by Paul De Pace

Manager, Organization Planning
Food Machinery & Chemical Corporation
San Francisco

My remarks will be concerned with the philosophy and organization of the planning function in the machinery divisions of Food Machinery and Chemical Corporation. To provide some initial perspective as to how we approach this continuing task on a day-to-day basis, I would like first to establish the position of Organization Planning in FMC and outline briefly its responsibilities in the long-range development of our operations.

The Organization Planning Department, of which I am manager, reports to the executive vice president for our machinery divisions. FMC's Machinery Group includes ten major operating division which account for approximately half the company's total income of over $300 million annually. The Organization Planning Department is concerned with problems at both the divisional and corporate levels.

Organization Planning's primary responsibilities include forward planning, company acquisition evaluation, market and industry analysis, commercial assessment of new products, research and development coordination, and marketing liaison.

PRODUCT PLANNING

The Machinery Group's planning program is called "product planning" to stress the fact that "products" are the foundation on which our company's operations are based. We believe that the primary responsibility of those who participate in product planning is the imaginative selection of products which have sufficient market opportunity so that the required effort and investment will result in the achievement of desired sales and profit objectives.

We define product planning as the continuing development of a comprehensive program of product requirements plus the supporting organization, facilities, and capital structure necessary to maintain and strengthen the position of our machinery divisions. This definition applies to the markets we now serve as well as to the new products and markets required to meet our sales and profit goals.

Product plans, developed for five years forward and revised annually, provide a sound basis for the effective integration of short-term operations with long-term planning, the coordination of operating management with corporate management, and for the combining of line and staff into a soundly oriented, aggresive team.

In FMC, product planning is a continuing process of combining our best thinking to seek out, analyze, and select product opportunities as well as formulate specific plans which will assure the future growth, and in some cases survival, of operations. By definition, therefore, product planning includes the following essential elements:

- The continuing process of combining our best thinking.
- The seeking out, analysis, and selection of product opportunity.
- The formulation of specific plans.

The Organization Planning Department's responsibilities in the area of product planning are to provide for adequate coordination and follow-up at all operating levels, to assist the individual divisions in developing competence in product planning, and to assess resulting divisional actions against plans.

In addition, Organization Planning has the responsibility for developing an over-all Machinery Group plan on a long-term basis. In this connection we are currently working on a fifteen-year program for FMC's Machinery Group operations. This long-term program will provide additional background on which to assess divisional product plans and will assist management in recognizing the over-all expansion requirements to meet FMC's long-term objectives.

The evaluation of companies consid-

MR. DE PACE joined Food Machinery & Chemical Corporation in 1946 as Manager of Market Research. In his present capacity he is responsible for the development of overall expansion plans and programs for the Machinery Group operations. Prior to 1946 he was Assistant to the Vice President of Commercial Development of Owens-Corning Fibreglass, Toledo, Ohio; Senior Staff Assistant for Commercial Research, U.S. Steel Corp., and Assistant to the Chief Engineer, Carnegie-Illinois Steel, Pittsburgh. Mr. De Pace has a degree in Mechanical Engineering from the University of California and an M.B.A. from the Harvard Graduate School of Business.

ered for acquisition by FMC's Machinery Group is a second major area to which the Organization Planning Department directs its attention. Having been instrumental in the continuing development of acquisition policies, our group is in a position of leadership in the over-all direction and coordination of acquisition analysis. We also assist in integrating acquired companies into the FMC family.

MARKET AND INDUSTRY ANALYSIS

Market and industry analysis is a third important Organization Planning responsibility. We provide market analysis for specific products and processes, as well as industry studies to assist the divisions—and Machinery Group management—in meeting our product planning objectives.

COMMERCIAL EVALUATION

Commercial evaluation of new products and processes is a fourth area of major importance for Organization Planning. We encourage and assist our divisions to conduct the commercial evaluation of products in their immediate fields of interest. Our primary emphasis is on the assessment of new products in fields not presently served by FMC but within the scope of the Machinery Group objectives.

RESEARCH AND DEVELOPMENT

Research and development coordination is a fifth function of the Organization Planning Department. Our objective in this area is to develop corporate policies and divisional procedures to support and strengthen product development in the Machinery Group, and including the provision of controls to increase the effectiveness of research and development.

In addition to the research and engineering personnel charged with the primary responsibility for maintaining and furthering activities in the various product areas in each of our operating divisions, we have a Central Engineering Department in San Jose which is responsible for major long-range corporate development programs. The organization Planning Department provides commercial direction for Central Engineering's new product development efforts.

MARKETING COORDINATION

Marketing coordination is the final area of Organization Planning responsibility on which I would like to comment. Each of our operating divisions has a fully staffed sales department which is directed by a sales manager; the latter is responsible to a division manager. Organization Planning provides whatever assistance in marketing coordination is necessary to achieve over-all sales goals. One of the ways in which this is done is to provide support for continual improvement in sales forecasts—the foundation upon which all divisional product plans are based.

SPECIAL MANAGEMENT PROBLEMS

Both corporate and divisional management frequently call upon Organization Planning to participate in a broad range of special management problems. Recent assignments have been in the areas of product line simplification, consideration of marginal products for possible elimination, and evaluations relating to interdivisional transfers of operations.

Summarizing the responsibilities I have described, the Organization Planning Department's functions can be divided into three general areas: namely, (1) product planning, (2) research and development coordination, and (3) acquisition evaluation.

A PRODUCT PLANNING PROGRAM

One long-established and important management tool in FMC has been a well-conceived and soundly executed program of financial budgeting. This program is based upon the generally recognized concept of financial projections developed for five years forward by year and revised annually. Projections for the current year are made by months, with one planned revision toward the middle of the year and, depending upon circumstances, possibly a second revision later. Financial budgets are prepared in detail, and cover not only all balance sheet and operating statement items, but also other special information which may be important under the conditions of a particular operating period.

NEW PRODUCT PLANNING

Early in 1955 it was decided by FMC's Machinery Group management that something in addition to financial budgets was required if we were to do a fully effective job in our long-range planning. After careful study, the machinery divisions initiated a comprehensive product planning program, the essential steps of which include for each division:

- A planning organization.
- A basic assessment of organization capabilities.
- A determination of desired product specifications.
- The seeking out of potentially appropriate products.
- The analysis and selection of suitable product possibilities.
- The formulation of a long-term plan.

This program is based on the philosophy that our continuing success and growth depends upon the ability of each division to create or acquire profitable new and improved products continuously in order for the Machinery Group to maintain and improve its position in FMC's over-all operations. Consequently, there is a continuing need for the expansion and upgrading of divisional activities. To provide added perspective as to the extent of such need over the long term, a fifteen-year plan for growth is presently under development which will include the following elements:

- A recognition of the long-term outlook for each of our operations.
- A definition of the performance objectives for present operations and future expansion possibilities.
- A proposed expansion plan in broadening present operations and entering entirely new fields in terms of internal development and outside acquisition possibilities.
- The probable capital requirements for carrying out both divisional and corporate sponsored expansion plans in order to permit appropriate financial planning by the executive group.
- The long-term performance results which are expected to accrue for the Machinery Group.

THE MACHINERY GROUP GOAL

Although FMC's divisions have traditionally enjoyed much independence under a management philosophy of decentralized authority and responsibility, careful analysis indicated that corporate management should assist and encourage division management in determining growth objectives and planning their accomplishment. Furthermore, to the extent that our divisions are not equipped to enter new fields or to support long-range programs for growth, the corporate group should assume responsibility for planning and executing additional development programs as well as product and company acquisitions.

An over-all Machinery Group goal was established to guide the development of product plans by the individual divisions. This goal provides an indication of the general magnitude of the growth for which the division should plan. Should a division's product plan fail to reflect the over-all growth anticipated by management, it is encouraged to make sure it has not overlooked potentials in its basic markets or related fields. To the extent that the sum of the individual divisional expectations may not meet the challenge of the Machinery Group goal, corporate development and acquisition programs in new product areas are initiated.

WHILE corporate management is responsible for establishing and coordinating over-all goals and objectives, determination of specific plans for individual operations is a divisional function. This policy permits utilization of operating management's intimate familiarity with the capabilities and limitations of its respective divisions, as well as with the requirements and potentials of the markets they serve. Moreover, those who are held accountable for the success of an operation must necessarily also be given a part in planning its future.

Divisional planning includes not only the establishment of a five-year goal by each division, but also the formulation of specific plans to enable its achievement. A division's plan lists the major products which it expects to sell in the future, and makes an estimate of the sales and profit levels for each. Such a plan is built up from thorough analysis of future customer requirements and anticipated competition.

THE PERIODIC REVIEW

Planning is a continuing responsibility of management. The translation of plans into step-by-step short-term action, however, is best achieved through periodic review. The process of preparing an analysis of future opportunities and required action for formal presentation insures clear and specific planning—often lacking in conversational discussion of future plans. In addition, the written plan provides a basis for preparation and review of definite programs of action, such as the financial budget, research and development programs and a schedule of requirements for facilities and personnel. Consequently, our product planning program requires that each division prepare and revise annually a product plan for the succeeding five years covering the following general areas:

- An appraisal of the current strengths, capabilities, limitations, and potentials of the division's organization and facilities, including an analysis of opportunities for increasing profits from current products in existing markets.
- Projections of the future needs of customers currently served, and recommendations for product development, changes in marketing or production facilities, or other action necessary to increase the division's participation with this established customer group.
- A summarized evaluation of new market areas which represent significant opportunities for growth, including estimates of the size of potential markets, reasons for their selection by the division, and the product modification, development or other action required for entrance into new fields.
- A schedule of the specific action which the division expects to take, including the research and development program for the coming year and the five-year budget for financial requirements, for facilities and personnel, and product and company acquisition proposals.

The individual division's plan is reviewed and discussed in detail by the division manager and the executive vice president to obtain general corporate understanding and concurrence with the planned objectives. This review of future plans, along with an examination of past performance, provides the basis for operational discussions and decisions throughout the year. In this manner the informal contacts between divisional and corporate management are guided so that all aspects of the divisional operation are in proper balance with respect to the desired objectives.

The product planning concept has been accepted by both divisional and corporate management, and has been instituted on a continuing basis by FMC's Machinery Group. Individual divisional plans were first submitted in October, 1956; these plans outlined in detail proposed 1957 objectives and actions, with an over-all plan for 1957-61. The individual divisional plans subsequently were reviewed, and a comprehensive Machinery Group plan—a forward looking, long-range blueprint for guidance and action—was prepared by Organization Planning. These divisional product plans are now being revised for the 1958-62 period.

RESEARCH AND DEVELOPMENT COORDINATION

In accordance with FMC's philosophy of decentralized profit responsibility, division managers are directly accountable for the administration of their development programs. Further, it is our belief that the need for specific research and development projects becomes evident from the formulation of divisional product plans. These plans also provide a realistic basis for corporate evaluation of individual development projects, particularly if such projects are presented for general approval rather than giving random consideration to individual projects throughout the year.

THE MACHINERY GROUP PLAN

We visualize the divisional product plans as comprehensive outlines of present and future product requirements necessary to maintain and strengthen the position of the Machinery Divisions in the markets they serve, in new product fields, and in respect to other opportunities for increasing sales and profits. The product plan spells out specific development needs for both new and improved products; these needs are, in turn, translated into an annual development program. Subsequent annual revisions of the product plan and the development program are therefore interdependent, since success or failure of a development project will affect the product plan and, similarly, changes in market conditions will influence the annual development program.

MACHINERY Group management gives its attention to specific projects which account for the largest expenditures, while Divisional management is given greater latitude in the approval of developments for those markets with which it is most familiar. Since expansion into completely new markets is a responsibility of Corporate management, divisional proposals for the development of new products are subject to corporate review. With these principles in mind, development project procedures have been established along the following lines:

- The divisions classify each project as a product improvement, a new product for a present market, or a new product for a new market.
- Contemplated product improvements and new products for present markets are given formal corporate review only when anticipated total expenditures are over $10,000, whereas proposed developments of new products

for new markets require corporate review and approval when contemplated expenditures are in excess of $5,000. These limits are based on the philosophy that division management is closer than corporate management to such divisional matters as market requirements, technical background, and profit appraisal.

Major divisional development projects which involve large expenditures and require corporate approval are considered on a competitive basis, rather than in regard to a division's ability to generate research and development funds out of income. This policy permits development funds to be directed to those projects which offer the most attractive opportunities for growth.

THE PRODUCT DEVELOPMENT COMMITTEE

A Machinery Group Product Development Committee advises and assists the executive vice president in his responsibility for the machinery divisions' over-all development effort. In addition to the executive vice president for the Machinery Group, the committee includes the director of engineering, director of research, chief engineer for Central Engineering, patent counsel, coordinator of manufacturing, and the manager of Organization Planning.

Since the product development committee includes a cross section of the corporate management, it reflects an over-all perspective in regard to product development. Its major contributions include the following:

- Establishing Machinery Group development policies and procedures.
- Assessing the broad development requirements of the Machinery Group, and estimating the probabilities of success for plans and major projects to meet these requirements.
- Insuring that proper evaluation and administration of development activity is being conducted at the divisional level, particularly with respect to projects of large "dollar magnitude" or in new fields of activity.
- Coordinating the product development of all divisions.

EVALUATION OF ACQUISITION POSSIBILITIES

Making adequate provision for the future calls for constant attention to product lines and includes such basic considerations as the addition of new products, the improvement of present products, or the possible elimination of presently unsatisfactory products. As an aggressive management, therefore, FMC's Machinery Group must continuously reexamine established product lines and explore for and evaluate new business opportunities.

Our management has long been keenly aware of the potential advantages of sound product diversification through company and product acquisitions. Organization Planning's challenge in this management area is the creation and execution of programs to realistically and effectively meet the particular requirements of FMC's Machinery Group.

FORMULATING ACQUISITION POLICY

In the selection and evaluation of acquisition possibilities, the Organization Planning Department's primary responsibilities are to develop over-all policies, to assume leadership in acquisition analysis, and to follow through with all concerned to effect a proper blending of new acquisitions into the FMC family.

Well-conceived policy with regard to acquisitions is a reflection of management's attitude as to the future character of the business. A clear understanding of these bench mark policies is fundamental to the sound evaluation of acquisition possibilities. We limit our consideration to new companies or products which will insure an adequate return on the required investment and which will either (1) strengthen FMC's position in a current market or (2) provide the basis for expansion into new markets that will effectively utilize FMC's strengths and offer an outstanding long-term opportunity to increase sales and profits.

The broad framework of Machinery Group acquisition policy is implemented with specific criteria to suit the current situation. These criteria are based upon such factors as the availability of capital, the desired return on investment, the potential contribution of available management and technical personnel, requirements for plant capacity, and the opportunity to capitalize on FMC's reputation. The resulting specification provides a basis for an initial rough screening of proposed acquisitions. Situations which do not meet the indicated minimum requirements may be readily excluded. Such specifications also provide sound basis for recognizing those situations which qualify as interesting possibilities.

SELECTING A SOUND INVESTMENT

Following this general approach, Organization Planning has selected certain industries which appear to offer attractive long-term profit potentials for FMC. At this time these include petroleum equipment, packaging machinery and water treating equipment. Other industry studies have resulted in decisions not to enter particular markets. For instance, an analysis of the construction equipment industry as a product area for expanding our West Coast facilities indicated that the geographical location, competitive situation, and the importance of a strong distribution organization made investment decidedly unfavorable, despite a good industry growth potential.

After determining an industry of prime interest, it is necessary to make contact with appropriate companies for acquisition consideration. Having selected the petroleum equipment industry for acquisition consideration, for example, Organization Planning carefully evaluated the industry and identified those companies particularly appropriate in terms of product line, industry reputation, and compatibility with present or planned FMC operations.

IT IS usually possible to secure a personal introduction to the management of a company in which we are interested. Banks, investment houses, and business friends are used to bridge the gap between FMC and the company we wish to contact. In some cases, however, we have approached the company directly.

Recognizing that it is impossible to be cognizant of every attractive acquisition possibility, we maintain active relationships with a wide group of company brokers and investment firms which specialize in merger negotiations. In order to channel their efforts efficiently, we have prepared a summary of FMC's Machinery Group acquisition objectives and outlined the information required for our analysis.

Direct discussions with company personnel make it possible to secure their analysis of a company's strengths, problems, and potential. Some items, such as information on profitability by product line, description of developments in progress, and information on specific customers and users of products, often can be secured in personal interviews when a company's management would be unwilling to provide it in writing. These discussions usually reveal the company's thinking with regard to asking price, and provide better understanding of the mutual benefits that might result from a merger.

For The Good Of All

by Don Copell

Executive General Manager, W. E. Long Company, Chicago.

When your esteemed and hard working president, Phil Carroll, wrote me to prepare a guest editorial for my favorite management magazine *Advanced Management,* I felt somewhat like the blind man who was reprimanded by the head of the Welfare Agency for bringing seven children in.o the world knowing full well he could not support them.

The blind man listened patiently, then shrugging his shoulders, said, "Can I help it if I can t see what I am doing?"

In the last year or so many of us have been a little too busy to be efficient. We haven't been able to see the light at times until we felt the heat of shrunken profits.

Way back in 1938 when astute, seasoned, well-meaning, helpful and indeed devoted S.A.M members like Harry Cozzens, Frank Busse, Doc Dittmar and, yes, Phil Carroll "invited" me to join S.A.M I was not only a "greenhorn" from Switzerland, but definitely young in age and highly immature in "know-how" of American management, philosophies and practices.

It was then that great men like Larry Appley, now President of the American Management Association, so aptly said: "Activity is of value only in terms of attainment, and business is not the management of things but everlastingly the development of people."

That, to my way of thinking, was exactly what S.A.M was trying to do—develop people for management.

As an adopted son of this great country of ours, I soon realized that managerial ability can and must be acquired, not only in schools but by association with seasoned practitioners and professionals in every field of management, who are willing to share their experiences with novices.

Fortunately for me, I found in the local S.A.M Chapter meetings and training courses conducted by S.A.M experts in their field of endeavor, who were continuously giving of themselves so that others may benefit from their experiences, experiments and, yes, from their mistakes.

Bitter experience has taught me that we must all learn from the mistakes of others, because no one of us will ever live long enough to make all the mistakes himself.

We are only young once, but we sure can stay immature indefinitely unless we are willing to learn from others—and others are willing to teach and share their know-how with the needy and the eager before they are pulled down into the quicksand of security without maturity, practice without experience and power without knowledge.

We know that the high standard of living we are enjoying today has arisen out of the struggles, disappointments and new ideas of the past.

Likewise. we might well remember that the fortunes and the profits of the future will have to *come out of the wastes and inefficiencies of the present.*

It seemed logical to me to participate in S.A.M activities because S.A.M was for everything that's good in management and definitely against waste and inefficiency.

I have always believed in the age old philosophy that the smart man in this world is the one who can take people and conditions as they are and make them work out to his advantage.

There is no more security in business today than there was when I first joined S.A.M, but there still are unlimited opportunities for all of us to harness the millions of ideas and suggestions stored in the minds of all the good people around us and to make them work out to our advantage.

For many of us the going has sometimes been tough, but good managers like a bag of good tea show their real strength when they get into hot water.

There are no hopeless situations in management today; it is only people who grow hopeless about them.

Bill Vaughan was so right when he said: "A recession is like an unfortunate love affair. It's a lot easier to talk your way in than it is to talk your way out!"

As members of S.A.M we have a solemn obligation to help this country think and work itself out of these soft spots in the sands of time. In the last few years we have learned that the prosperity of business is generally the prosperity of all the people.

When I first came to this country I was told that very few businesses can long prosper unless they learn to make more and and better goods at lower costs. From the prices we pay for some goods today, a great many industries seem to have taken the road of least resistance.

Unfortunately the road of least resistance is always crowded, so that today when consumer buying lags about 25 billion dollars behind our capacity to produce, the S.A.M can be justly proud of the part it played in building this great capacity to produce by disseminating information and bringing men along in management. But we also have a solemn obligation and responsibility to help move these goods efficiently into the hands of the ultimate consumer and do it at a price he can be induced to pay.

Let's apply a few of the sound and proven principles of scientific management to our sales and distribution problems from now on, while we continue to help industry produce better goods at lower prices. We can't wait for the cow to back up to us to be milked. It's up to us to go after the cow now!

S.A.M has within its ranks some of the best brains in industry and some of the most courageous advocates of scientific management. Are we going to tell our goods and services where to go and how to get there or sit back and wonder where they went and why they stymied our great capacity to produce better and cheaper goods for more and more people to enjoy?

I am confident S.A.M will accept this challenge and help others like they helped me, for which I shall forever be grateful.

Note: *Mr. Copell was "parent" of the S.A.M Northern New Jersey Chapter's magazine,* Industrial Engineer *which subsequently became* Modern Management, *the National S.A.M publication, now re-titled* Advanced Management.

It is also desirable to contact customers and others familiar with the industry to determine the company's product acceptance, market participation, and reputation, as well as to determine product trends and competition in the industry. In general, customers, prospective users, industry trade journals and associations, and consultants or specialists in equipment produced by the company are reliable sources of information.

RECOMMENDING A DECISION

The final step in our analysis of an acquisition possibility is a recommendation to management regarding the attractiveness to FMC of the merger under consideration. This report reviews the company's past earnings and evaluates those factors which are expected to influence future profits. Past and projected earnings are related to the selling price and, if appropriate, a basis for negotiation is suggested.

In his McKinsey Foundation lectures Mr. Ralph J. Cordiner, president of General Electric, said:

"—purposeful managers need to develop the capacity to influence rather than merely adapt to the business environment. With this viewpoint, the manager teaches himself to think of all of his decisions in terms of the optimum as to short- and long-range consequences, and he is less likely to sacrifice tomorrow's great opportunities to a mere appearance of greater accomplishments today."

Organization Planning has become an increasingly useful management asset in assisting FMC "to influence rather than merely adapt to the business environment."

University Division Observations

by Professor Harold Fischer

Vice President,
University Chapter Division

THE University Division of the Society continues to move forward with the strengthening of our older chapters and with the inauguration of new chapters. Our goal this academic year of 18 new chapters and 1000 additional members will be surpassed, from all indications.

In addition to the four new chapters that were added during the month of November, we had the pleasure of presenting charters to the newly organized chapters at *Kent State University* with 30 charter members and *Professor Raymond J. Ziegler* as faculty advisor; *Western Reserve University* with 28 charter members and *Professor A. B. Cummins* as faculty advisor; and the *University of Akron* with 35 charter members and *Professor Bernard Hanes* as faculty advisor, on February 19-20. This outstanding achievement was made possible by the effective work of *Dr. J. N. Berrettoni; his committee; Fred Harrell, National Treasurer;* and the *Cleveland Chapter*. It is indicative of the degree to which both educators and business men are recognizing increasing mutualities of purpose and responsibilities.

During the first part of February, a charter was prepared for the new chapter at the *University of Washington* with 48 charter members and *Professor Richard A. Johnson* as faculty advisor. *Charles Harold*, the student president, played a very important part in this development. The group had been operating for years as a local management club but recognized the value of affiliation with a dynamic, international management society.

Fordham University was chartered with 45 charter members and *Professor Julius Seidl* as faculty advisor. They, too, have demonstrated a fine spirit and we are pleased with their accomplishment.

It was a privilege to add these chapters to the imposing list of institutions in which University Chapters have been playing a significant part in the preparation of young people for careers in the business world. With the gudiance of the faculty advisors and through the leadership of the elected officers, we know these new chapters will establish outstanding records of achievement in the years that lie ahead.

The Chapter Performance Award Reports reveal continued improvement in the quality of the programs and in the further diversification of chapter activities. New and better newsletters and high-level management conferences deserve special notation. These reports disclose the results of good organization, planning, and control. The active members are learning by doing and, furthermore, are deriving real value from the close relationship that is developing between students of business and executives in business. A *better product* thus is made available for business at graduation time.

We had the pleasure of attending the Winter Management Conference of the *Georgia Tech Chapter* on February 5. The theme of the conference was "Enlightening the Management of Tomorrow"; and the list of distinguished business executives was headed by *Mr. Edgar J. Forio*, Senior Vice President of the Coca Cola Company, who delivered the keynote address. Special conference sessions were held on the following topics: "The Management Student and His Job"; "Automation and Management"; "The Marketing Organization"; and "The 1959 Job Outlook". The conference attracted a large number of students from Georgia Tech as well as a good representation from S.A.M chapters at *Auburn*, the *University of Chattanooga, University of Tennessee, Western Carolina College, Emory University*, and the *Georgia State College of Business Administration.*

The conference was an outstanding success, thanks to the fine work of *Jim Hardee*, Student President; *Professor Jack R. Walker*, faculty advisor; the Student Conference Committee; and members of the faculty and administration. After the conference, an opportunity was made available for the exchange of ideas among the members and officers present from the various chapters. Conferences of this type do develop a much closer relationship among the individual chapters and contribute, as a result, to the forward movement of the University Division.

The *University of Pittsburgh* is planning a Spring Conference on the general subject of "Administration and Management". In their previous conferences they have had an attendance of 100 to 150 persons and *Professor Jacob J. Blair* tells us that in this conference they will have some of the top-flight people in the area as speakers and panel members. The students, in addition to the program, are planning a number of exhibits and already considerable interest in the community has developed in this conference. An outstanding attendance is again anticipated. Here we see the results of good organization, planning and control once more . . . students are learning by doing.

The *American University Chapter* is sponsoring again their lecture series on "Government and Business" and another series on "Investments". These have been annual affairs and they attract a large group each year. Through these series of lectures, the Chapter certainly is succeeding in bringing closer together executives in business and students preparing to go into business. *Professors Stanley I. Posner* and *Walter Mulback*, faculty advisors, and the student officers maintain an attractive and varied program of activities for the members, utilizing effectively the human resources of the *Washington, D. C.* Senior Chapter and area.

Professor Lawrence J. Meyns and the student officers of the *Babson Institute Chapter* are rendering a real service to the members of the chapter through the "Job Counselling" programs that have the enthusiastic support of the administration. The opportunities in the fields of Sales and Distribution, Accounting, Manufacturing, and Insurance will be explored by noted business executives in a series of meetings extending over a period of two months. At the first three meetings the average attendance was 125. We know the entire chapter will benefit by this program, designed to give the students practical information and good guidance in these several fields of business.

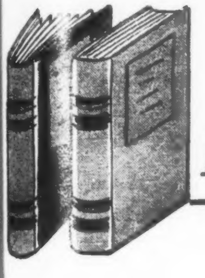
The *City College of New York Chapter* reports the completion of plans for their Fourth Annual Management Show with the theme, "Progress in Management", to be held the evening of May 12 with sessions day and evening on May 13 and day sessions on May 14, in the auditorium of the Bernard M. Baruch School of Business and Public Administration of the City College of New York, located at 17 Lexington Avenue at 23rd Street, New York City. At this Show many leading companies, as heretofore, will exhibit their new products and services to interested executives and future executives of the New York metropolitan area. This has become a notable event in New York and all indications point to another great conference. The magnitude of the Show necessitates good organization and planning by the student officers and their faculty advisor, *Professor Huxley Madeheim*. Members of nearby S.A.M student chapters are cordially invited to attend this show by the officers of the C.C.N.Y. Chapter.

The program of the Second Annual Regional Conference, sponsored by the *Ohio University* and *Athens Senior Chapters*, has come to our attention. The conference is scheduled for March 13 and deals with "Training Programs in Industry". The workshops for the afternoon and evening bring together a group of business executives to consider such important topics as "Foremanship—A Stepping Stone in Training"; "Role of Training in Selection and Development of Personnel"; "College Graduates — Training with the Work Force"; and "What is Management Training?". The address at the evening banquet will be concerned with "Individual Responsibility for Self-Development". *Professor E. T. Hellebrandt* and his Conference Committee will have another successful conference.

These conference programs reveal clearly how the University Chapters continue to move forward in their service to industry, education, the community and the Society. We all are proud of the accomplishments of the individual chapters. The opportunities are unlimited — the future is bright. ■

TYPICAL S.A.M CHAPTER ACTIVITIES—APRIL 1959

CHAPTER	SUBJECT	SPEAKER	PLACE	DATE
Alabama	"Motivation and Employee Productivity"	**Dr. D. J. Moffie,** V.P., Hanes Hosiery Mills Co., Winston-Salem, N. C.	Grecian Room, Gulas Restaurant	[illegible]
Binghamton	"Management Ideologies Today"	**Moorhead Wright,** Consultant, General Electric	Sheraton Hotel	[illegible]
Boston	"Measurement of Management Effectiveness"	**Francis F. Bradshaw,** President, Richardson, Bellows, Henry & Co., New York	M.I.T. Faculty Club	[illegible]
Bridgeport	"How's Business"	**Kenneth Kramer,** Mng. Ed., Business Week	Algonquin Hotel	7
Central Pa.	"New Methods & Approaches in Work Measurement"	**Dr. Lucien Brouha,** Physiologist, E. I. duPont	Penn Bell Hotel, Bellefonte	16
Chattanooga	"Management's Responsibilities"	**W. H. Baumer,** Spec. Asst. to President, Johnson & Johnson, New Brunswick, N. J.	Read House	15
Chicago	"Multiple Management Plan-Group Participation in Management"	**G. Douglas Reed,** V.P., McCormick & Co., Baltimore	Furniture Club of America	28
	"Indirect Labor Standards—Approaches to Measurement, Payment, and Control"	Seminar	Furniture Club of America	14
	"Developing Executive Horse Power"	**Edward Carroll,** Exec. Dev. Admin., Motorola, Inc.	Furniture Club of America	20
	"Digital Computers & Operations Research"	**William A. Golomski,** Madison, Wis.	Hardings Presidential Grill	7
	"A Practical Philosophy of Production Planning and Control"	**B. F. Butts,** V.P. Cinch Mfg. Co.	Furniture Club of America	21
Cleveland	"Motivation Research—Why Do (Don't) They Buy Your Product"	**Dr. Virginia Miles,** V.P., Mkt. Plng. Corp. & Dir. of Research, McCann-Erickson, Inc., New York		13
Dallas	"Economic Outlook for the Southwest"	**Dr. Arthur A. Smith,** V.P. and Economist, 1st Natl. Bank	Melrose Hotel	8
Detroit	Student Night	**A. F. Fisher,** General Electric Co.	Engineering Society	21
Fox Valley	"Management Development" Conference		Elks Club, Appleton	9
Greensboro Area	"Work Simplification and Cost Reduction"	**Frank A. Busse,** Per. Dir. Quality Bakers of America, New York	Starmount Country Club	14
Greenville	Ladies Night	**Dr. G. D. Heaton,** Counsellor, Charlotte, N. C.	Elks Club	20
Hartford	"The Ad Man"	**Vance Packard**		16
Knoxville	"Office Automation"	**W. R. Simmermacher,** Dist. Mgr., Data Processing Div., I.B.M. Corp., Cincinnati	Deane Hill Country Club	14
	"Production Scheduling"	Round Table Discussion	B.A. Bldg., Rm. 135, U. of T.	28
Lancaster	"Are You Prepared"	**Phil Carroll,** Natl. Pres., S.A.M, New York	Hotel Brunswick	21
Lehigh Valley	"Measurement of Manufacturing Indirect Labor"	**W. C. Cooling,** Chief Ind. Eng., Englehard Industries, Inc., Newark, N. J.	Walp's Restaurant, Allentown	7
London District	"Management's Responsibility to the Community and Country"	**Dr. Chas. E. Irving,** Lecturer & Consultant, East Lansing, Mich.	Hook's Restaurant	16
Long Island	"Cutting Edge—Do All"			27
Los Angeles	"Management Performances"	**Doug Watson**		16
Madison	"Organization for Profit" (Workshop)	**Robert Stolz,** Br. Mgr., American Boxboard Co.	Cuba Club	1
Milwaukee	"Management Appraisal & Development"	**James Bannon,** Partner, Booz, Allen & Hamilton	ESM Building	9
	"Industrial Engineering" Seminar	**Raymond O. Egeland,** Chairman	ESM Building	23
Montreal	"Problems in Packaging"	**Sydney Kom,** Dir. of Dist. & Processing, Steinberg's	Ritz Carlton Hotel	8
Nashville	"Physiological Technique in Work Measurement"	**Dr. Lucian Brouha,** Haskell Lab., E. I. duPont, Wilmington	Hermitage Hotel	9
New Haven	"Industrial Management Trends Abroad"	**Earl W. Eames, Jr.,** Pres., Genl. Mgmt. Assoc., Boston	South Meriden House	16
No. Alabama	"Collection & Training of a Distribution Organization"	**J. F. Haley,** Mgr. of Sales Training, Addressograph Multigraph Corp.	Hotel Russel Erskine	9
N. New Jersey	"Quality Control or Else"		Hotel Suburban, East Orange	16
	Plant Visit—Motor Car Production		Lincoln-Mercury, Metuchen	28
	"Work Sampling"		Wilbur B. Driver Co., Newark	8, 15, 22, 29
N.E. Penna.	"Practical Modern Material Handling"	**Oscar Parker,** Autolift Accesory & Engrg. Co.	Hotel Jermyn	6
Philadelphia	"The Hard Sell in Industrial Marketing"	**Adron Miller,** Mgr., Broadcast Sales, Ind. Electronics Division, RCA, Camden, N. J.		7
Pittsburgh	"Development and Utilization of Full Capabilities of Members of Management"	**Avery Adams**	Penn-Sheraton Hotel	16
Providence	"Avenues of Cost Reduction"	**C. J. Welch,** U.S. Steel Corp.	Brown Refrectory	2
Raritan Valley	Plant Visitation	**Dr. Roger F. Varney,** Asst. Dir., Quality Control Division, E. R. Squibb & Sons, New Brunswick	E. R. Squibb & Sons	15
Reading	"Better Utilization of Indirect Labor"	**W. C. Cooling,** Chief Ind. Engr., Englehard Industries	Valley Inn	13
St. Louis	"Fringe Benefits; Profit or Loss"	**C. R. Stockhus,** V.P., Labor Relations, Union Elec. Co.		28
Washington	"The Executive Career Service"	Commissioner-Designate, Maude Meyers, U.S. Civil Serv.		15
W. Mass.	"Practical Scientific Managerial Techniques for Reducing Costs"	**Dorian Shainan,** Ind. Consultant, Rath & Strong	Storrowton Inn, West Springfield	22
Wilmington	"A New Training Technique"	**Godfrey Ladhams,** Personnel Consultant	Lord De La Warr Hotel	14



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A-51 **BUSINESS ORGANIZATION AND MANAGEMENT** by **Elmore Peterson** and **Edward G. Plowman.** 678 pp. 4th ed. Irwin. 1958. $8.40.

A-52 **BUSINESS MANAGEMENT AND PUBLIC POLICY** by **Richard N. Owens.** 402 pp. Irwin. 1958. $7.80.

A-53 **EFFECTIVE COMMUNICATION IN BUSINESS** by **Robert R. Aurner.** 655 pp. 4th ed. South-western. 1958. $6.00.

Four new or revised basic textbooks on various aspects of business and management. While these are, of course, designed primarily for students in University courses in business administration, they are also useful reading for the working executive who wants to find out how much of what he was once taught he has now forgotten and how much has been learned since he left the academic halls.

A-54 **THE JOB OF THE FEDERAL EXECUTIVE** by **Marver Bernstein.** 251 pp. Brookings. 1958. $3.50.

A new analysis of the role and problems of higher executives in the Federal Government. Based on round-table discussions by scholars and practitioners in this field, the book goes well beyond the normal formalistic approach to public administration to discuss real problems in a three-dimensional way and to open up new approaches to their solution.

MANAGEMENT TOOLS AND TECHNIQUES

B-112 **HOW TO INTERVIEW** by **Walter V. Bingham** and **Bruce V. Moore.** 271 pp. Harper. 1959. $4.50.

The fourth edition of a well-known basic book on the principles and practice of effective interviewing. Covers special techniques of various special kinds of interviews—for employment and placement; for opinion surveys; for counseling, etc. The new edition has been completely revised to incorporate recent developments which have emphasized the psychological dimension of interviewing techniques.

B-113 **NEW DIMENSIONS IN COLLECTIVE BARGAINING** by **Harold W. Davey** and others, eds. 199 pp. Harper. 1959. $3.50.

Nine outstanding authorities on labor-management relations report on major developments affecting this field since World War II and analyze their significance to management, unions and the relations between them. Developments covered include the AFL-CIO merger; effects of technological change; effects of developments in health and welfare and similar plans; long-term contracts; and the impact of the Taft-Hartley Act. Published under the aegis of the Industrial Relations Research Association.

B-114 **SOCIAL STRUCTURE AND PERSONALITY IN THE FACTORY** by **Paul Lafitte.** 240 pp. Macmillan. 1958. $3.75.

A new contribution to understanding workers and work relationships in sociological and psychological terms. Based on studies conducted in Melbourne, Australia, the book is interesting both for its specific findings, some of which would appear to be of general applicability, and for the methodology used in making the study.

PERSONAL DEVELOPMENT

C-37 **STREAMLINING YOUR EXECUTIVE WORKLOAD** by **Ray Josephs.** 194 pp. Prentice-Hall. 1959. $4.95.

A down-to-earth working manual designed to help busy executives conserve the scarcest of all commodities—working time. Widely acclaimed by top executives who have read it, the book is filled with specific practical tips on ways of setting priorities in the use of time and shortening the time required to accomplish any given task.

C-38 **MAKING PROFITS IN THE STOCK MARKET** by **Jacob O. Kamm.** 180 pp. World. 1959. $3.50.

A revised edition of a clear and specific guide to stock market transactions for the ordinary person who wants to make intelligent investments. Tells what kind of information you need to invest and how to plan investments to maximize profit opportunities and minimize chances of loss. Contains many suggestions which will help investors to avoid the urge to "follow the crowd" in this field.

THE WIDER VIEW

D-65 **LANDMARKS OF TOMORROW** by **Peter F. Drucker.** 282 pp. Harper. 1959. $4.50.

A highly informative and thought-provoking analysis of where our civilization stands today and where it seems to be heading. Ranges widely over the fields of science, business organization, education, economics, politics and international affairs to give a new perspective on many pressing problems.

D-66 **SURBURBIA** by **Robert C. Wood.** Houghton. 1959. $4.00.

A serious study of surburban communities in the United States today and their future as viable units of local government. Worthwhile reading for all of the many people who live in such areas but do not think much about civic problems until some crisis arises.

D-67 **THE BIG RED SCHOOLHOUSE** by **Fred M. Hechinger.** 240 pp. Doubleday. 1959. $3.95.

A rounded review of the present state of American education Written for the general reader by a distinguished education editor. Covers the background of our current school system and its present problems. Also considers educational achievements in Russia as compared to the United States with more perspective than was present in some of the books which followed the rude awakening of Americans to Russian progress after Sputnik was launched.

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D-68 **MASS LEISURE** by **Eric Larrabee** and **Rolf Meyersohn,** eds. 439 pp. Free Press. 1958. $6.00.

A collection of thoughtful papers on the implications and use of increasing leisure time in the United States. Brings together the current thinking of many experts in various social sciences fields.

D-69 **THE COMMUNIST WORLD AND OURS** by **Walter Lippmann.** 56 pp. Little-Atlantic. 1959. $2.00.

A keenly analytical little book in which a distinguished public affairs columnist reports on extended interviews with Russian leaders and gives his evaluation of Soviet capabilities and intentions. Beyond this, Mr. Lippmann gives constructive suggestions for the conduct of United States foreign policy in the Cold War years ahead.

D-70 **ON WAR** by **Raymond Aron.** 163 pp. Doubleday. 1958. $3.50.

A penetrating review of what war could mean in the world today and what can be done to prevent it or at least limit its devestating effects. Written by a well-known French political analyst, the book supports other recent works by George Kennan and Henry Kissinger in urging specific efforts to develop a doctrine of "limited war" in preference to having no middle ground between surrender to an aggressor and unleashing a thermo-nuclear holocaust.

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APRIL 26-27, 1956

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8—ANNUAL OPERATIONS RESEARCH CONFERENCE

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